

central bank at Philadelphia. Eighteen branches of the Bank of the United States were established and the notes issued were received for government dues without reference to the place of issue and were redeemable, wherever issued, by the central bank or any of its branches. The mistake made by the new bank was in directing the branches to push their own notes into circulation in place of those of the State banks, and to issue drafts on the Eastern cities to prevent the remittance of their own notes. The notes of the local banks were locked up in the Bank of the United States and interest charged upon them to the local banks, but both the notes of the branches and the branch drafts were remitted eastward by the operations of trade. The notes of the Western branch banks which were remitted to the East thus exercised no controlling influence over the volume of Western business, for they were not presented for redemption in the West. What made the matter worse was the necessity imposed in many cases on the branches, in view of the eastward movement of their own notes, to pay out again the local notes in the granting of discounts.

The Western branches paid but limited attention to the instructions of the parent bank to diminish their discounts, even after the danger of their policy became apparent. They issued what were known as "race-horse bills," by which drafts were made by one branch upon another, which were met when due at the accepting bank by new drafts upon some other branch. The bank imported \$7,311,750 in specie from Europe during its first two years at a cost of \$525,247,¹ but the drain upon its resources had reduced the specie in Philadelphia on April 21, 1819, to \$126,745, of which \$79,125 was owed to the city banks of Philadelphia.³ The facts regarding the mismanagement of the bank were brought out by the report of a committee of Congress in 1819 and caused many demands for the repeal of the charter. Langdon Cheves was elected President, March 6, 1819, and he adopted heroic measures to restore the bank to solvency.

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² Bolles, II., 326.